

Message Text

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PAGE 01 KATHMA 02166 271010Z

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TAGS: ECON, EAGR, NP

SUBJECT: PRIME MINISTER GIRI REVIEWS THE ECONOMIC SCENE

REF: KATHMANDU 2151, KATHMANDU 641

1. ALTHOUGH LOCAL ENGLISH LANGUAGE NEWSPAPERS GAVE PRIMARY COVERAGE TO PRIME MINISTER GIRI'S CHARGES AGAINST INDIAN MEDDLING IN HIS MAY 24 PRESS CONFERENCE, GIRI ALSO DEVOTED CONSIDERABLE TIME IN THAT CONFERENCE TO COMMENTS ON NEPAL'S INTERNAL ECONOMIC SITUATION. (THE VERNACULAR GURKHA PATRA EXACTLY INVERTED THE EMPHASIS GIVEN BY ENGLISH LANGUAGE RISING NEPAL, WITH MAJOR SPACE AND HEADLINE DEVOTED TO GIRI'S ECONOMIC COMMENTS, AND ONLY A SMALL, BOTTOM-OF-THE-PAGE STORY ON THE INDIAN ISSUE.)

2. THE GENERAL IMPORT OF THE PRIME MINISTER'S ECONOMIC MESSAGE WAS A WARNING THAT AGRICULTURAL PRODUCTION MIGHT DECREASE IN THE CURRENT FISCAL YEAR (JULY 76 - JULY 77) DUE TO UNUSUAL WEATHER CONDITIONS. (RICE PRODUCTION FROM THE 1976 KHARIF HARVEST IS ESTIMATED TO HAVE BEEN DOWN SOME 8 PERCENT FROM THE PREVIOUS YEAR, WHILE UNSEASONAL RAINS AND HAIL HAVE HAD AN AS YET UNDEFINED IMPACT ON SOME SPRING CROPS - NOTABLY MAIZE AND WHEAT.) GIRI WARNED THAT THIS MIGHT CONTRIBUTE TO INFLATIONARY

UNCLASSIFIED

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PAGE 02 KATHMA 02166 271010Z

TRENDS, BUT GAVE ASSURANCES THAT THE GOVERNMENT IS ALERT TO THE SITUATION AND PREPARED TO TAKE APPROPRIATE MEASURES IF NECESSARY. HE ALSO APPEALED TO THE BUSINESS COMMUNITY TO COOPERATE IN KEEPING PRICES UNDER CONTROL. HE SAID THAT STORAGE AND DISTRIBUTION FACILITIES FOR KATHMANDU AND OTHER URBAN AREAS

ARE SATISFACTORY, AND, WHILE SOME REMOTE RURAL AREAS MIGHT EX-

PERIENCE FOODGRAIN SHORTAGES, THE GOVERNMENT IS ALREADY INVESTIGATING WHAT SPECIAL PROVISIONS MIGHT BE CALLED FOR.

3. GIRI EMPHASIZED THAT OTHERWISE THE COUNTRY'S ECONOMY HAS BEEN PERFORMING SATISFACTORILY. THE TRADE AND BALANCE OF PAYMENTS PICTURE HAS BEEN GOOD, AND ADMINISTRATIVE EFFICIENCY IS IMPROVING, AS WITNESSED BY THE PLANNING COMMISSION'S MID-YEAR PLAN IMPLEMENTATION REPORT, WHICH SHOWED 64 PERCENT OF ANNUAL TARGETS ACHIEVED AS COMPARED TO 54 PERCENT THE PREVIOUS YEAR. IN THE FIRST REFERENCE HEARD IN QUITE SOME TIME TO THE 10 POINT PROGRAM HE HAD INTRODUCED IN DECEMBER 1975 (KATHMANDU 5357, 5/27/75), GIRI ALSO CLAIMED SOME SUCCESS FOR THE PROGRAM IN ENFORCING ADMINISTRATIVE DISCIPLINE, ECONOMIC AUSTERITY, AND LESS OSTENTATIOUS SOCIAL BEHAVIOR, HE ALSO OBSERVED THAT INASMUCH AS A "7 PERCENT INFLATION RATE IS CONSIDERED NORMAL IN THE CURRENT WORLD SCENE, THERE IS NOTHING YET ALARMING IN NEPAL'S PRESENT PRICE SITUATION." (THE KATHMANDU CONSUMER PRICE INDEX FOR FOOD ITEMS ACTUALLY DECLINED SLIGHTLY LAST MONTH DESPITE A 3 PERCENT RISE FOR RICE.)

4. COMMENT: MARKETPLACE NERVOUSNESS ABOUT THE SUPPLY SITUATION HAS ALREADY BECOME EVIDENT IN THE PAST MONTH OR TWO AS RUNS ON BASIC CONSUMER ITEMS SUCH AS COOKING OIL, LENTILS AND SUGAR HAVE OCCURED. SUCH MARKET SHORTAGES ALWAYS ENGENDER CHARGES AGAINST THE MERCHANTS OF MARKET MANIPULATION, AND IT IS DIFFICULT TO MEASURE HOW MUCH THE PROBLEM IS DUE TO GENUINE SHORTAGES AND HOW MUCH TO HOARDING. ASIDE FROM SUCH MARKET PSYCHOLOGY FACTORS, THE BASIC FOOD GRAIN SUPPLY POSITION DOES NOT APPEAR TO BE TOO DIFFICULT SO FAR. THE 8 PERCENT DECLINE IN THE KHARIF CROP
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 KATHMA 02166 271010Z

REPRESENTS A REDUCTION FROM A PREVIOUS BUMPER CROP, WHILE THE SPRING HARVEST IS ONLY OF SECONDARY IMPORTANCE IN NEPAL IN ANY EVENT. FAR MORE CRUCIAL IS THE QUESTION OF THE PERFORMANCE OF THE YET-TO-BE-PLANTED 1977 KHARIF CROP. IF THE UNSEASONABLY WET SPRING SHOULD GIVE WAY TO A "DRY" MONSOON, THE CUMULATIVE EFFECT COULD RESULT IN WIDESPREAD HARDSHIPS IN THE FOLLOWING YEAR.
EAVES

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